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Message Text

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62
ORIGIN SS-15

INFO OCT-01 ISO-00 AF-08 TRSE-00 SSO-00 CCO-00 NSCE-00

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DRAFTED BY D:RMPOATS
APPROVED BY D:CWROBINSON
S/S: LREDDY
AF/C:MGALLAGHER
AF:AMB. BOLEN
DESIRED DISTRIBUTION
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C O N F I D E N T I A L STATE 234416 TOSEC 270491

FOR ROGERS FROM ROBINSON

E.O. 11652: GDS

TAGS: OVIP KISSINGER (HENRY A.), CG, EFIN

SUBJECT: STATUS OF EX-IM LOAN TO INGA SHABA AND
GECAMINES
REF: (A) SECTO 27246; (B) LONDON 14966

1. EX-IM VP BEIM MET IN LONDON TODAY WITH CENTRAL BANK GOV. SAMBWA IN APPARENTLY PRODUCTIVE EFFORT TO RESOLVE REPAYMENT GUARANTY ISSUE BLOCKING RELEASE OF ADDITIONAL EX-IM LOAN FUNDS TO INGA SHABA PROJECT ($68 MILLION) AND GECAMINES EXPANSION/RENOVATION ($20 MILLION). ACCORDING TO TELECON WITH AF/C OFFICER MARKS ACCOMPANYING BEIM, REPORT OF MEETING BEING TELEGRAPHED FROM LONDON TO KINSHASA NOW. (REF B)

2. MEETING WAS NECESSITATED BY SAMBWA'S REFUSAL TO
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ACCEPT COMPROMISE OFFER ON GUARANTY TERMS CABLED BY EX-IM

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TO HIM SEPTEMBER 9.EX-IM COMPROMISE WAS TO CONFINE ITS DEMAND FOR SETTING ASIDE IN AN EXTERNAL BANK ACCOUNT FUNDS FOR SERVICING GOZ DEBTS TO EX-IM TO ONLY THE AMOUNTS REQUIRED TO SERVICE NEW MEDIUM TERM LOANS MADE BY EX-IM SINCE THE PARIS DEBT RESCHEDULING, I.E., THE $88 MILLION NOTED ABOVE, RATHER THAN ALL GOZ DEBTS TO EX-IM. THIS OFFER WAS COUPLED WITH EX-IM'S ASSURANCE THAT ITS ACTION PROBABLY WOULD CAUSE TERMINATION OF SUITS AGAINST EX-IM BY TWO U.S. BANK CONSORTIA LED BY FNCB AND BANKERS TRUST.

DECISIONS BY TWO COMMERCIAL BANK GROUPS TO WITHDRAW SUITS DID NOT FOLLOW IMMEDIATELY. SAMBWA THEREUPON ADVISED MORRISON-KNUDSEN (PRIME CONTRACTORS OF INGA-SHABA) AND EMBASSY KINSHASA THAT EX-IM'S COMPROMISE OFFER WAS NOT ACCEPTABLE TO HIM BECASUE IT STILL ENTAILED PRIVILEGED POSITION FOR EX-IM IN QUEUE FOR CENTRAL BANK FX ALLOCATIONS.

3. EX-IM WENT TO LONDON MEETING WITH INTENTION OF DEFENDING ITS PROPOSAL OF RESTRICTED REPAYMENT-GUARANTY FACILITY AS EQUITABLE AND SUPPORTED BY PRIVATE PRECEDENT IN THAT IT APPLIED ONLY TO NEW, MEDIUM TERM LOANS MADE TO A COUNTRY IN FINANCIAL CIRCUMSTANCES COMPARABLE TO "NEAR BANKRUPTCY" SITUATION IN PRIVATE BANKING PRACTICE. IF THIS WAS NOT PERSUASIVE, EX-IM WAS PREPARED TO RESTATE THE PROPOSED REPAYMENT GUARANTY IN TERMS OF A GENERIC GOZ OFFER OF COMPARABLE REPAYMENT FACILITY TO ALL FOREIGN LENDERS OF MEDIUM TERM FUNDS SINCE DATE OF PARIS CLUB RESCHEDULING AGREEMENT. FALL-BACK WAS NOT REQUIRED, HOWEVER. ACCORDING TO TELEPHONE REPORTS, WHICH LONDON MESSAGE IS ELABORATING, SAMBWA AGREED TO ACCEPT EX-IM'S RESTRICTED FACILITY PROPOSAL AND SIGN PENDING LOAN DOCUMENTS PROVIDED FNCB AND BANKERS TRUST DROPPED THEIR SUITS, ADVISED HIM THAT THEY DID NOT OBJECT TO THE RESTRICTED FACILITY FOR EX-IM'S TWO LOANS, AND ASSURED HIM THAT THEY WOULD NOT USE THE EX-IM FACILITY AS PRECEDENT FOR SIMILAR DEMANDS TO SECURE REPAYMENT OF THEIR LOANS TO ZAIRE.

4. DU BRUL ADVISES THAT BANKERS TRUST IS POLLING
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MEMBERS OF ITS SYNDICATE AND EXPECTS TO GET APPROVAL TO WITHDRAW SUIT BEFORE SAMBWA ARRIVES IN WASHINGTON NEXT MONDAY. FNCB ALREADY HAS APPROVAL FROM ITS SYNDICATE AND SHOULD WITHDRAW SUIT MOMENTARILY. TERMS OF BANKS' ASSURANCE RE PRECEDENT MAY BE WAFFLED BUT SHOULD MEET SAMBWA'S NEED FOR SOME BARGAINING CONCESSION.

5. SIGNATURE OF INGA-SHABA LOAN AND ASSURANCE THAT FUNDS

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WILL BE RELEASED IN OCTOBER WOULD MEET CONDITIONS SET BY MORRISON-KNUDSEN FOR STAYING ITS DECISION TO DEMOBILIZE PROJECT-FORCE IN ZAIRE AND TERMINATE SUBCONTRACTS. DEADLINE FOR THIS DECISION IS END OF SEPTEMBER.

6. UNDERLYING BOTH EX-IM AND COMMERCIAL BANKERS' PREOCCUPATION WITH REPAYMENT ASSURANCES, OF COURSE, IS THEIR CONVICTION THAT GOZ HAS NO REAL FINANCIAL MANAGEMENT OR PROGRAM FOR BRINGING ITS MEANS INTO BALANCE WITH ITS EXTERNAL OBLIGATIONS. DU BRUL ATTRIBUTES TO BANKERS TRUST THE FEAR THAT ZAIRE WILL STUMBLE FROM DEFAULT TO MAKESHIFT SOLUTION TO NEW DEFAULTS UNTIL SOME EXTERNAL GROUP SUCH AS IBRD TAKES CHARGE OF REORGANIZING DEBT STRUCTURE, RAISING EMERGENCY FUNDS, AND CURING CAUSES OF ZAIRE'S ACUTE FINANCIAL DISTRESS. BANKERS TRUST PRESIDENT ALSO TELEPHONED ME TO STRESS CASE FOR STRONGER USG INTERVENTION WITH GOZ TO ARRANGE FOR ORDERLY DIVISION OF GOZ FUNDS AMONG CREDITORS. I REMINDED HIM THAT OTHER GOVERNMENTS AND CREDITORS ALSO HAD INTERESTS IN THIS MATTER AND PROBLEM REQUIRED ACTION ON SEVERAL FRONTS. ZAIRE'S CREDIT ULTIMATELY DEPENDS ON EXPANSION OF COPPER EARNINGS, FOR WHICH IMPROVEMENT IN MANAGEMENT OF MINES WITH FOREIGN HELP IS A CRITICAL REQUIREMENT. APPROACH TO THESE UNDERLYING ISSUES AND RESPONSE TO RECENT EMBASSY TELEGRAMS ARE TRANSMITTED IN SEPARATE TELEGRAM. ROBINSON

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